

# View from the operators

ÖBB – Austrian Federal Railways



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# 3 topics for today

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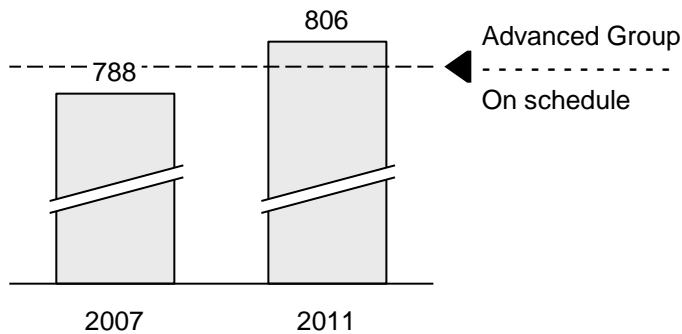


- **Status of liberalization in Austria** (freight and passenger)
- **Challenges we experience with respect to liberalization** (in- and outside Austria)
- **ÖBB „wish-list“** for further regulatory measures

# Austria in „advanced group“ regarding liberalization

## Austria for the first time in „advanced group“ regarding liberalization in 2011

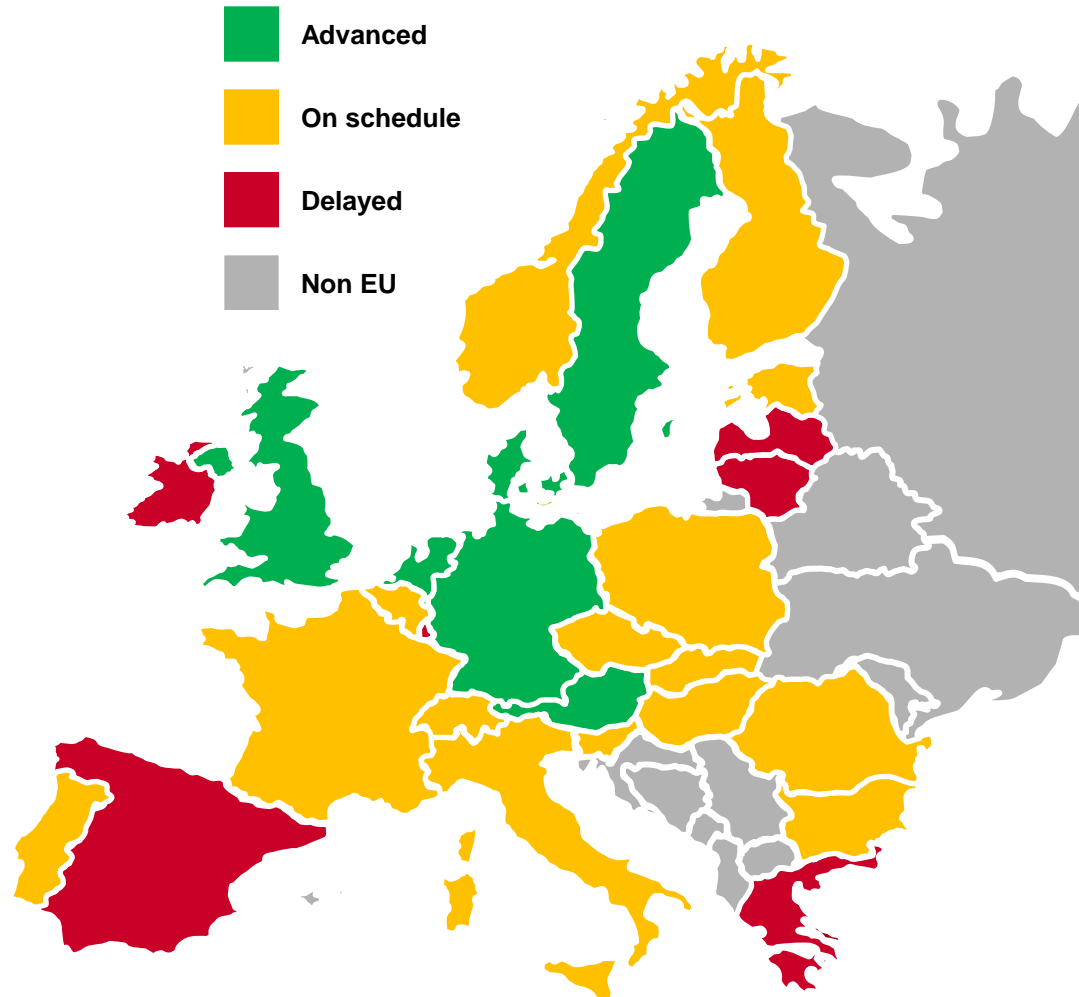
DB/IBM Liberalization Index



## ÖBB fulfilled all major requirements to join elite group of “advanced” liberalization

- ✓ Advanced legal and factual conditions of free access
- ✓ Significant market share of external RUs
- ✓ Positive trend in the modal split of rail in the PV and GV
- ✓ Regulators with broad powers and skills and experience in dealing with complaints of external RUs
- ✓ Legal separation of network ownership and operation of traffic

## Rail Liberalization Index 2011 (Rail Cargo and Passenger Transport)



# Recent market entry of private long-distance RU „Westbahn“ supported by ÖBB infrastructure

## ÖBB infrastructure supports market entry



- **Market opening for passenger transports** led to start of first private long-distance RU “Westbahn” in December 2011
- **Positive feedback** on support of ÖBB infrastructure from new passenger rail service provider „Westbahn“:

*[Interviewer]: Did you suffer any discrimination by authorities?*

*[Hans-Peter Haselsteiner – Shareholder Westbahn]: [...] “Eventually we cannot complain at all or argue that we were discriminated in train path allocation. On the contrary, everything was correct, it was handled relatively shortly. [...] **Every action from authorities and finally from ÖBB Infrastructure have been really positive and given the right direction.**”*

Source: Interview with Hans-Peter Haselsteiner (Rail Holding) in Austrian Broadcast, Ö1, 21.9.2011, „Klartext“, translated from german

- **Open: Recent actions against ÖBB Infra at ECJ** concerning **publication of real time information** on delays and train movements of all operators (not a matter of discrimination, same treatment for all RUs)

## „Competition“ only between ÖBB passenger division and new market entrant



- In a **preliminary injunction** an Austrian antitrust court has requested ÖBB PV to **include competitor into internet/mobile timetables**, call center timetable information and timetable book – **a decision which ÖBB Passenger division has decided to object**
- **Intervention at Bundeswettbewerbsbehörde (Austrian Federal Competition Authority)** regarding level and duration of **PSO agreements** between ÖBB and the Ministry of Transport
- **Law suit at ECJ regarding ÖBBs yield management system**
- **However, timetable conflicts where jointly resolved**

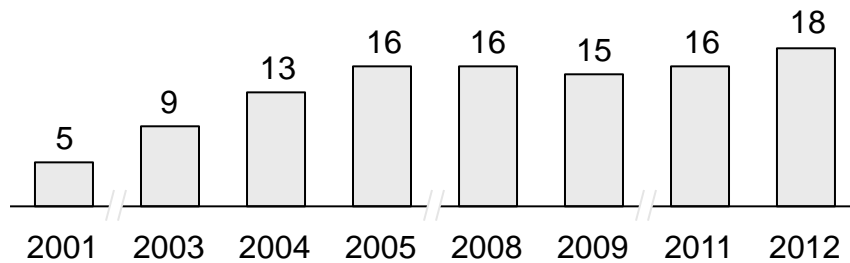
Vertical Integration of Infrastructure and Passenger division  
no showstopper for successful liberalization of Rail Market



# Private cargo operators increase in numbers and market share, modal share constant

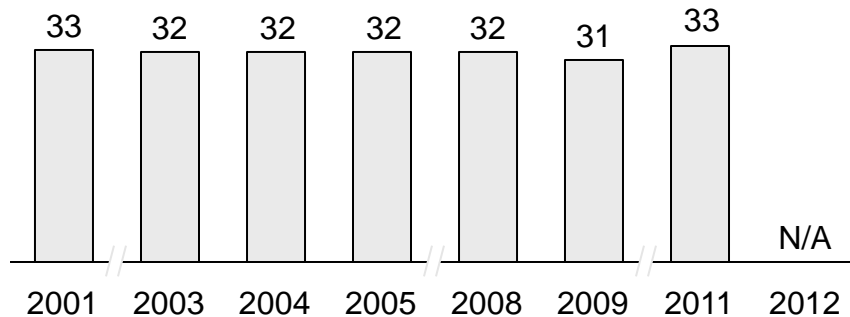
## Increasing number of private cargo operators ...

Number of private Cargo Operators



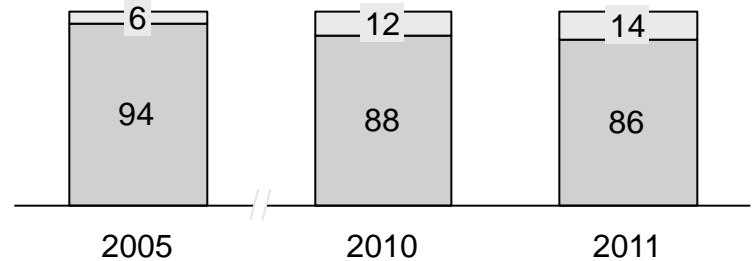
## However, constant modal share of rail cargo ...

Modal share of rail, Percent



## ... with increasing market share

Market share measured in tkm, Percent



## ... not connected to failure of liberalization

- **Austria with above-average modal share** due to (a) government subsidies for certain types of cargo (available to all operators) and (b) historically below-cost tariffs of Rail Cargo Austria
- **Private operators mainly take over block-train volumes** from RCA/other incumbents
- **Even reduction of modal share conceivable** as (a) government reduces subsidies and (b) RCA increases prices to cover costs
- **Levers to increase modal share** are e.g., higher subsidy levels, frameworks to prevent “cherry picking” by private operators or “rail-friendly” boundary conditions

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# Passenger – open-access competition may reduce attractiveness of public transport systems as synchronised timetables will be damaged

## Ensuring synchronised timetables

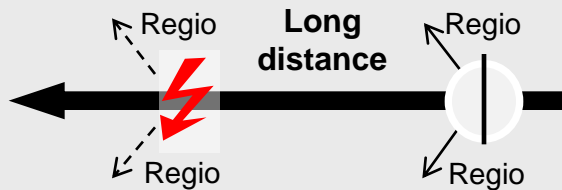
### Synchronised timetable



*Hubs and connections coordinated*

- (Integrated) **synchronised timetable** can only work in hierarchic **coordination**
  - (International) Long-distance services define the hubs
  - Based on this hubs regional services are planned
- Example **Switzerland**: Perfectly synchronised timetable with extremely high success

### Disturbance of logic



*Connections are lost*

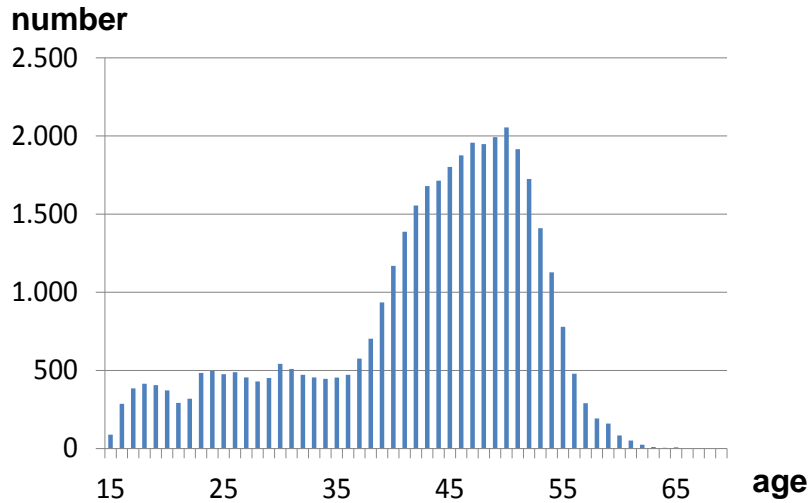
- In Austria synchronised timetable currently **ensured by ÖBB** through own initiative
- Open-access competition **endangers systematic services** as they do not have special protection
- Without this protection **synchronised timetables may be damaged**

- Establishing a framework which **protects the (nationwide) systematic services**
- Protect also **systematic international services**
- Open-access services on top and within the system possible

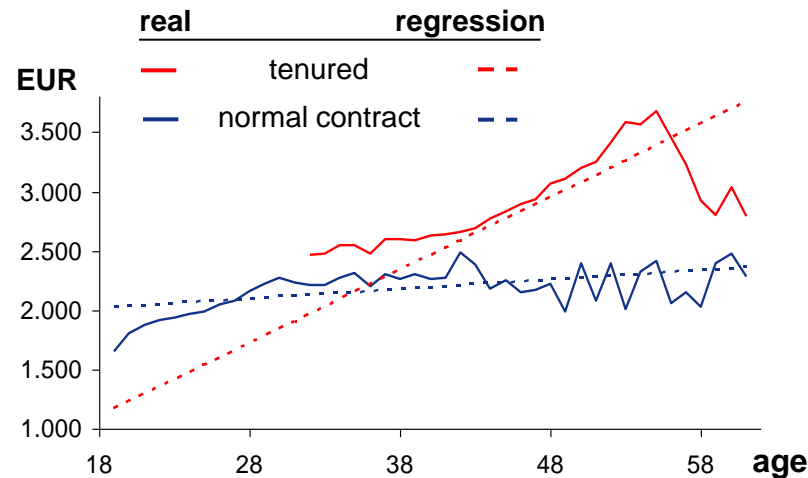
# Passenger/Cargo – ÖBB with above-market cost of labour due to legacy contracts which leads to a substantial disadvantages over competitors

## Structure of staff and salaries

Distribution of age within ÖBB



Average salaries ÖBB dep. on age (w/o Infra)



- ÖBB other than (new) RU with **very high average age of staff** (>42 years) and continuously increasing
- **Higher average salaries** for tenured staff (still over 60% of all staff)
- Furthermore special contracts impose **additional restrictions and costs** for ÖBB compared to competitors (e.g., low flexibility in work time allocation)
- **Fair competition cannot be achieved without solution for this issue**

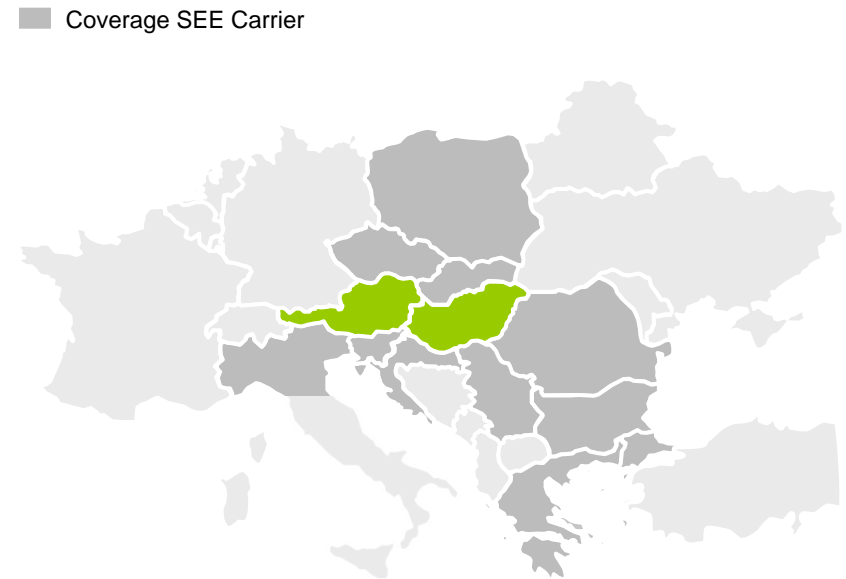


# Cargo (1/2) – RCA strategy with focus on selected SEE cargo markets and ramp up of low cost carrier

Focus on selected SEE cargo markets...



...competitive advantage through international low cost carrier



- Comprehensive, cost-efficient operation in target markets (for baseload)
- Cross-border transport control to ensure high quality and speed

# Cargo (2/2) – RCA with challenges when it comes to foreign rail cargo markets – however none of these comes from lack of liberalisation

## Description

Supporting factors	Liberalisation	<ul style="list-style-type: none"> <li>No significant obstacles regarding infrastructure access, especially in the SEE EU member states</li> <li>E.g., required licenses can be obtained within 6 months</li> </ul>
	Operations	<ul style="list-style-type: none"> <li>Rampup of operations without problems (e.g. availability of rolling stock/lokomotive drivers)</li> </ul>
Challenges	Infrastructure	<ul style="list-style-type: none"> <li>Low infrastructure quality reduces competitiveness vs. road (e.g. average speed of around 25 in some parts)</li> </ul>
	Profitability	<ul style="list-style-type: none"> <li>Low capacity utilization of some incumbents leads to low price levels - even well utilized trains have low profitability</li> <li>Access to big accounts difficult for new operators</li> </ul>
	Balance	<ul style="list-style-type: none"> <li>Significant trade imbalances and therefore limited possibilities for 2-way capacity utilization</li> </ul>

No further regulatory measures needed, however, competitive infrastructure and further economic development



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# ÖBB „wish-list“ for further regulatory measures

1

## **No mandatory vertical separation**

3 out of 6 countries in „advanced“ group of countries with vertically integrated railways – no „business case“ for vertical separation

2

## **Harmonization before further liberalization**

Still significant spread of liberalization levels in the EU as well as lack of harmonization concerning rolling stock certification

3

## **Ensure „level playing field“ also for incumbents**

Partly significant legacy cost positions/debt levels of incumbents (e.g. ÖBB with >60% tenured staff and equity levels <10%)

4

## **Protection of synchronised timetables in order to maintain attractiveness of public transport systems**

Main goal is to make public transport attractive, not to maximize the number of competitors

5

## **Favorable boundary conditions for rail**

Road transport with many legacy advantages over rail (e.g., toll only on highways, tax incentives for company cars, ...)